

SENATE RECORD VOTE ANALYSIS

105th Congress
2nd Session

Vote No. 256

September 2, 1998, 12:45 p.m.
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FOREIGN OPERATIONS APPROPRIATIONS/IMF Lending Conditions

SUBJECT: Foreign Operations, Export Financing, and Related Programs Appropriations Bill for FY 1999 . . . S. 2334.
Hagel motion to table the Kyl amendment No. 3522.

ACTION: MOTION TO TABLE AGREED TO, 74-19

SYNOPSIS: As reported, S. 2334, the Foreign Operations, Export Financing, and Related Programs Appropriations Bill for fiscal year 1999, will provide a total of \$12.6 billion in new budget authority for foreign aid programs. Also, it will provide \$17.9 billion in supplemental fiscal year (FY) 1998 funds for the International Monetary Fund (IMF) and \$310.7 million in such funds in "arrearages" to multilateral institutions. The IMF budget authority, as permitted by the Budget Agreement, will not be counted under the budget authority caps. IMF outlays are never scored under the outlay caps. Thus, this spending will be "off-budget." See vote Nos. 44 and 256 for related debate.

The Kyl amendment would establish conditions for the use of quota resources of the IMF (for the IMF, this bill will provide a quota increase of \$14.5 billion and \$3.36 billion for the New Arrangements to Borrow). More specifically, the amendment would condition the quota increase on the Secretary of the Treasury certifying that the IMF had agreed by resolution that stand-by agreements or other arrangements regarding the use of IMF resources would include provisions requiring the borrower:

- to comply with the terms of all international trade obligations and agreements of which the borrower was a signatory;
- to eliminate the practice or policy of government-directed lending or provision of subsidies to favored industries, enterprises, parties, or institutions; and
- to guarantee non-discriminatory treatment in debt resolution proceedings between domestic and foreign creditors, and for debtors and other concerned persons.

Debate was limited by unanimous consent. After debate, Senator Hagel moved to table the Kyl amendment. Generally, those favoring the motion to table opposed the amendment; those opposing the motion to table favored the amendment.

Those favoring the motion to table contended:

(See other side)

YEAS (74)				NAYS (19)		NOT VOTING (7)	
Republican (33 or 65%)		Democrats (41 or 98%)		Republicans (18 or 35%)	Democrats (1 or 2%)	Republicans (4)	Democrats (3)
Bennett	Hatch	Akaka	Kerrey	Abraham	Byrd	Coverdell- ²	Bingaman- ²
Bond	Jeffords	Baucus	Kerry	Allard		Domenici- ²	Glenn- ²
Brownback	Kempthorne	Biden	Kohl	Ashcroft		Helms- ^{3AN}	Inouye- ²
Burns	Lott	Boxer	Landrieu	Campbell		Murkowski- ²	
Chafee	Lugar	Breaux	Lautenberg	Enzi			
Coats	McCain	Bryan	Leahy	Faircloth			
Cochran	Roberts	Bumpers	Levin	Grassley			
Collins	Roth	Cleland	Lieberman	Hutchinson			
Craig	Shelby	Conrad	Mikulski	Hutchison			
D'Amato	Smith, Gordon	Daschle	Moseley-Braun	Inhofe			
DeWine	Snowe	Dodd	Moynihan	Kyl			
Frist	Specter	Dorgan	Murray	Mack			
Gorton	Stevens	Durbin	Reed	McConnell			
Gramm	Thomas	Feingold	Reid	Nickles			
Grams	Thurmond	Feinstein	Robb	Santorum			
Gregg	Warner	Ford	Rockefeller	Sessions			
Hagel		Graham	Sarbanes	Smith, Bob			
		Harkin	Torricelli	Thompson			
		Hollings	Wellstone				
		Johnson	Wyden				
		Kennedy					

EXPLANATION OF ABSENCE:

- 1—Official Business
- 2—Necessarily Absent
- 3—Illness
- 4—Other

SYMBOLS:

- AY—Announced Yea
- AN—Announced Nay
- PY—Paired Yea
- PN—Paired Nay

The Senate has already voted on this issue this year. In March, by a vote of 84-16 (see vote No. 44), the Senate rejected imposing new unilateral conditions on IMF lending. Instead, Members favored working with other IMF lender nations in order to reach a consensus on those new conditions. The question is not whether the IMF needs to be reformed--Members are in broad agreement that changes are in order. Rather, the question is a practical one--how should those reforms be achieved? With the Kyl amendment, our colleagues are again asking the Senate to condition the release of new IMF funds on reforms first being made. The United States is only one of the countries that is involved in running the IMF. If other nations object to the proposals in the Kyl amendment, or if they have alternative proposals, large delays may occur while the matter is debated. The United States has only an 18-percent vote in the IMF. It can urge other countries to support its position, but it cannot require their support. In our opinion, the Kyl amendment takes a confrontational approach with other IMF lenders and is likely to meet with resistance. Further, it is a confrontational approach that is not needed. No loans can be given without a vote of 85-percent or greater. With 18 percent of the vote, the United States already has veto power over any loan the conditions for which it disagrees.

We cannot afford gridlock at the IMF at this time. The Asian financial crisis has gotten deeper since last March, and there are signs that it is spreading. Russia is in an economic meltdown, and trouble is developing in Latin America. The United States is feeling the effects of these financial problems in its exports, particularly in its agricultural exports which have declined by 30 percent. Further, we believe the recent huge stock market downturn should be seen as evidence that investors are worried about a global recession. Measures need to be taken to reassure them that the United States is willing to stem the current crises before there is a chain reaction of economic failures of increasing proportions. For decades, the IMF has served as a bank of last resort to prevent markets from collapsing. We do not want to remove that market protection at this critical time. On that basis, we urge the rejection of this amendment.

Those opposing the motion to table contended:

Without passage of the Kyl amendment it will be business-as-usual at the IMF, and the results will be disastrous for the world and for Americans. Even the international banks that are protected by this lender of last resort will likely soon be harmed by its disastrous policies. Giving money without attaching the Kyl amendment restrictions would be worse than throwing good money after bad--it would compound problems. Our colleagues tell us that they agree with us, and have therefore put language into this bill that will result in changes at the IMF. With all due respect, this bill's language will not accomplish anything. The operative words are that the United States "will seek" to get other countries to agree to some reforms, and that it will "encourage" the adoption of other reforms. In other words, nothing will be required beyond trying. Of course, the IMF is well aware of the policy changes that are desired by Congress, and it knows that the President has said that he agrees with Congress, but that has not changed its behavior. Its most recent triumph is its austerity plan that it has used to crush Russia. The IMF pressured Russia, as its economy faltered due to socialist policies and rampant white collar crime, into imposing tax hikes on energy companies (which are the lifeblood of its economy). The result was capital flight, a collapse of the ruble, a standstill on debt payments, and even greater hardships for Russians. This is the same basic plan that the IRS has used successfully to shrink the economies of countries and to slash the per capita incomes of people around the world. The IMF promotes trade barriers, tax increases, and currency devaluations. Basically, when a country is in debt trouble to international lenders, the IMF insists on bleeding it dry to pay off its debts, which forces it into a recession and which results in even more onerous debts to the IMF. Many of us question whether there should be an IMF at all. The American taxpayers, through the IMF, should not be in the business of guaranteeing that lenders will not lose money when they make loans to foreign countries. Without that guarantee, we imagine that banks themselves might demand reforms before they lent their money. At present, banks will happily lend to any incompetent or corrupt rulers because they know that they have IMF protection. Rather than proposing the elimination of the IMF, the Kyl amendment would demand that the IMF impose the types of conditions that banks themselves would impose if their money were at risk. The types of policies that debtor nations need to adopt include fair and reliable bankruptcy laws, transparent and internationally accepted accounting procedures, minimal government interference in the allocation of credit, prudent oversight of banking systems, and competition among foreign and domestic banking organizations. Such free-market policies promote capital formation and economic growth, and make it possible for countries to escape debt without impoverishing their citizens. It is true, as our colleagues say, that there is a danger of a global recession coming from a chain-reaction of countries going into recession. We believe, though, that the IMF is one of the main causes of recessions around the globe. We should not give it more funds until we get it to change its lending policies to favor growth rather than recession. We therefore urge the adoption of the Kyl amendment.